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Telecommunications UPDATE

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Communications Personnel Cuts

The communications scene was rocked in August by two reports of substantial lay-offs by two major telecommunications firms. Neither firm is in financial trouble—the lay-offs are indications that even successful and well-managed companies may have to trim costs to compete effectively in both the electronic media and common carrier fields.

The news that AT&T would have to let 24,000 workers go from its Information Systems division—a cut of over 20 percent over the next several months—made headlines in television and newspapers. The story was another indication of change, for in the days before its break-up, AT&T had hardly ever laid off personnel. Part of the problem is the high cost of breaking into high technology equipment fields, as AT&T Information Systems has been doing. The computer and business communication markets are highly competitive, and thus far AT&T has not done as well as hoped. The company did say that other divisions might absorb some of the displaced people.

And in New York, ABC is only the latest of the highly competitive broadcast network operations to announce layoffs—some 350 persons over a few weeks. The network news divisions have all experienced budget cuts and personnel lay-offs. CBS is belt-tightening partially to off-set the substantial interest payments the company incurred in fighting off Ted Turner's attempted take-over. Likewise, ABC, and its new owner, Capital Cities Communications, both have far higher interest costs to be paid as a result of that change, and that puts pressure on the salary budget. NBC is smaller and apparently plans few cuts in personnel. All three networks cited the expected slow growth in business in the coming year as the chief background cause of the announced cuts. □

SHORT SUBJECTS

- Harold Kimball, presently a vice-chairman of the U.S. delegation to the Space WARC in Geneva, will become the first Chief Scientist for the National Telecommunications and Information Administration on his return to Washington in the Fall.

- Meanwhile, perhaps indicating a lesser role for engineers at the Federal Communications Commission (FCC), an upcoming reorganization will reportedly do away with their Chief Scientist position.

- Federal Communications Commission (FCC) Commissioner Henry Rivera is leaving the five member agency in September. President Reagan must by law name a Democrat to replace Rivera who served four years of a seven year term. He is entering law practice. □

(see page 8 for schedule)

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Intelsat Out To Sell Excess Capacity

The International Telecommunications Satellite Organization, faced with excess capacity that imposes a price burden on its customers, is considering offering a "planned domestic service" that would make use of surplus transponders. According to a document describing the proposal prepared by Director General Richard Colino and distributed to the Intelsat board of governors, 162 transponders over the three oceans would be made available for sale or long-term lease to Intelsat member countries. The proposal will be a major—and possibly controversial—item on the agenda of the board meeting to be held in Washington September 5-11.

The proposal marks another step in the growing use its members make of the global system for domestic service, and was developed in response to a request of the Assembly of Parties and the Meeting of Signatories to provide capacity—including nonpreemptible capacity—for domestic service. As explained in the document, a "planned" service, in contrast to conventional preemptible and nonpreemptible domestic leases, is, "in effect, placed into data bases used to forecast future system requirements and [is] taken into account in the design and procurement of future satellites."

Intelsat staffers attribute the excess capacity to the worldwide economic slowdown and loss of traffic to underseas cable facilities. Demands for service are considerably lower than the forecasts of need on which the acquisition of capacity was based. Overly optimistic estimates and a remarkably successful launch rate—only one failure in the launches of Intelsat V satellites, when two or three were anticiated—were also cited. But the cost of capacity must be borne, whether used or not. And that means it is borne by those who use Intelsat services.

Hence, the interest in using excess capacity to generate revenues; noncancellable features of the plan would insure guaranteed high use levels and revenues for Intelsat. At the same time, the proposal is described as meeting the needs of member countries. An advantage for them, according to the document, is that their use of the "planned domestic service" would not be subject to preemption "to satisfy a higher priority operational or service requirement." (**Broadcasting**, August 26, pg. 35) □

TV Sets: Changing Too Slowly?

Promoters counting on new TV sales to bolster the residential market for videotex/teletext services may get mixed messages from a new study of home TV ownership patterns. The research, commissioned by the Electronic Industry Association's Consumer Electronics Group, confirmed that Americans keep their TV sets longer than ever; 80% of sets are still in use ten years after they were bought; and half the color TV sets bought 15 years ago are still being used. EIA touts those figures as evidence of the "durability" and "value" of TV sets, but the numbers also forbode a slow entry for services which rely on the introduction of new TV sets—such as units with built-in decoders/receivers. EIA's study also found that 49% of families are "likely" to purchase a digital TV set when such units are available; and homes with advanced "electronic peripherals" are "much more likely" to own two or more sets. Both factors raise hopes that early adaptors of new technologies may create a market for enhanced services. (From **International Videotex Teletext News**, August 1985, p. 12) □

Developing the ISDN Future

When can the telecommunications manager expect to have his or her company's communications system become part of an ISDN (Integrated Services Digital Network)? The answer is between 1987 and the early 1990s. Today we are in the first stage of the "transition to ISDN." This probably will be completed in 1986. During this period, new ISDN-like services such as public-switched digital service and

public packet switching will be introduced. Existing networks will be modified where appropriate, with state-of-the-art circuitry capable of offering ISDN characteristics, while cost-effectively serving both residential and business customers. The second stage is characterized by expanded customer control, integrated access and available equipment that reflects the CCITT interface standards. Network capabilities, beginning as early as 1986, will include new call-management features made possible by sophisticated signalling. The third and final stage will be characterized by high speed interfaces and will offer dramatic new video and data services to all customers. This phase is expected to begin sometime in the early 1990s as standards and marketplace needs solidify. (The director of technology planning for Pacific Bell, quoted in **CommunicationsWeek**, August 26, 1985, p. 16) □

Pacific Fiber Optic Cable Approved

Over protests from the Communications Satellite Corp., the FCC has ruled that a group of international carriers led by AT&T Communications Inc. can proceed with plans to bring a new fiber-optic cable into service in the Pacific Ocean region as early as 1988. Comsat had sought to keep the cable from coming into service until at least 1991. Comsat is the U.S. representative to Intelsat, whose satellites in the Pacific region will compete with the new cable. Washington-based Comsat had said that Intelsat satellites would be able to handle all new traffic in the region until 1991. But the FCC said the new cable will bring the benefits of fiber-optic technology to telecommunications customers in the region, such as transmissions with less noise, fewer transmission delays and fewer data errors, than can be provided over the coaxial cable and satellite facilities now serving the region. Building the cable will also further the interests of U.S. telecommunications manufacturers because a large percentage of the $733 million system is expected to be built by U.S. companies. (From **CommunicationsWeek,** August 12, 1985, p. 29)

Remote Control TVs

The hand-held remote control tuning device enables the TV viewer to switch from one channel to another without leaving the comfort of his or her chair. Currently 29 percent of U.S. homes have remotes. Sampling among viewing choices is quite easy, especially for cable subscribers, who are more likely to have remote controls than non-cable subscribers. In March 1985, 38 percent of all pay cable homes had remote control devices, while only 24 percent of noncable homes did. By the year 2000, a majority of homes should have these devices, since half of all TV sets sold today have remote controls. (From **Television/Radio Age**, 5 August 1985, p. 91)

Datebook

For your planning schedule, here is a list of major meetings in the Tele-Technology field:

Sept. 18-20—Atlantic Cable Show, Atlantic City Convention Center, Atlantic City, N.J. Information: (609) 848-1000.

Oct. 27-Nov. 1—Society of Motion Picture and Television Engineers 127th technical conference and equipment exhibit. Convention Center, Los Angeles.

Nov. 10-13—Association of National Advertisers annual meeting. Boca Raton hotel, Boca Raton, Fla.

Nov. 20-22—Television Bureau of Advertising 31st annual meeting. Anatole, Dallas. Future meetings: Nov. 17-19, 1986, Century Plaza, Los Angeles, and Nov. 18-20, 1987, Washington Hilton, Washington.

Dec. 4-6—Western Cable Show, sponsored by **California Cable Television Association,** Anaheim Convention Center, Anaheim, Calif.

Jan. 5-9, 1986—Association of Independent Television Stations 13th annual convention. Century Plaza, Los Angeles.

Jan. 17-21, 1986—NATPE International 23d annual convention, New Orleans Convention Center, New Orleans. Future convention: Jan. 24-27, 1987, New Orleans.

Feb. 1-4, 1986—Sixth annual Managing Sales Conference, sponsored by **Radio Advertising Bureau.** Amfac Airport hotel, Dallas.

Feb. 2-5, 1986—National Religious Broadcasters 43d annual convention. Sheraton Washington, Washington.

Feb. 7-8, 1986—Society of Motion Picture and Television Engineers 20th annual television conference. Chicago Marriott, Chicago.

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REGULATION

Hostile Takeover Protection?

Although Ted Turner's battle to take over CBS is over, his initial efforts did provide a forum for those who claim that the issue of who owns networks and how healthy they are isn't a matter of concern only to stockholders—that all of broadcasting should be concerned. Chairman Mark Fowler and the other four commissioners said that the FCC should not allow its rules to be used in order to delay or otherwise influence marketplace forces, whatever they may be. After all, the Justice Department, which is charged with keeping an antitrust eye on mergers, also had adopted a "let-the-marketplace-decide" approach. Now that hostile takeovers are a real possibility, the FCC is coming under fire from several quarters, including persons within the broadcasting industry. Many feel that if a network is the victim of a hostile takeover, so might be the programming the affiliated stations who depend on the networks for their own profits. And, further down the chain, independents that rerun network programming also presumably could suffer. RCA (parent firm of the NBC network) Chairman Thornton Bradshaw said the big fear is that those attempting to take over networks are taking on a lot of questionable debt, which would leave the newly merged corporation in a highly leveraged position, without the means to invest in quality programming necessary to keep the network and its affiliates in a profitable position. Henry Geller, a former FCC official, also questioned the financial aspect: "Is it reasonable, or indeed even feasible, to expect the broadcaster to act as a public trustee foregoing maximum profits, when faced with the need to take every conceivable profit maximizing action in order to meet the financial problems caused by the huge price and consequent debt service?" Now before both houses of Congress are identical bills that would spell out for the FCC the review procedure to follow in considering hostile takeovers of networks. The measures would require the FCC to conduct full evidentiary hearings prior to the approval of a hostile takeover, during which the managerial expertise of the applicant would be established and the benefits or damages to the public interest would be examined. The respondents would be given 30 days to state their case. That is something generally viewed as a lengthy process that would help protect the takeover target network. (From **Television/Radio Age**, August 19, 1985, pp. 129-130. Editor's note: In August, the FCC released its notice of inquiry seeking advice on what it should be doing—if anything—about attempts to take over media corporations which are commission licensees, including broadcast stations. The FCC has long had to approve in advance any change in ownership of a license, and the recent "merger mania" has prompted this new inquiry.) □

Women Lose Preference

Preference for female applicants for electronic media facilities was struck down late in August by a federal court of appeals in one decision, and by the FCC in another. The court found the FCC could not grant women a preference as the agency assigned several hundred new FM channels, because the commission had not shown that such a preference would have any impact on programming content—and even if it did, said the court, "A mandate to serve the public interest is not a license to conduct experiments in social engineering conceived seemingly by whim." In the other case, the FCC decided it did not have the authority to give women a preference in the lottery procedures now used to select licensees for some new media services including multichannel-multipoint distribution systems (MMDS) and low power television stations. Neither decision appeared to threaten the preferences given in FCC proceedings during the past several years to ethnic minority groups in media ownership proceedings. □

Cable Data Role Okay

The FCC has declared that states may not stop cable television companies from offering voice and data services in competition with local telephone companies. The decision represents another federal pre-emption of telecommunications regulation, and may lead in the future to head-on competition between cable and telephone companies for business data communications traffic. (From a story in **CommunicationsWeek**, August 12, 1985, pp. 1, 37) □

Minding the Telephone Business

U.S. District Court Judge Harold Greene has admonished the seven regional Bell holding companies that he's concerned about their plans for diversification. Greene, who presided over the divestiture agreement, has retained jurisdiction on its aftermath as well. He made clear in a hearing in Washington that too much emphasis was being placed on new lines of business the companies might enter, rather than on their core local telephone concerns. Greene has allowed each of the companies to enter new lines of business, but is showing signs of increasing reluctance to continue the process, despite pressure from the firms which contend they need to branch into other areas of telecommunications and other businesses. Greene said he feared local telephones might become a backwater of high priced but inferior service. Some of the companies contend Greene has no right to limit their non-telephone plans. A number of critics of the divestiture have observed that while the seven regional firms are apparently limited in what they can do, and are subject to Judge Greene's decisionmaking, the former parent firm, AT&T, is largely free to enter whatever businesses, telecommunications or otherwise, that it wishes—with the single exception of information services like videotex. That one limit runs for another five years, and then AT&T is totally free to choose how it will operate, and in what business areas. □

PROGRAMS

Ted Turner, Program Mogul

As analysts review the impact of Ted Turner's takeover of the MGM/UA film studio likely to take place in 1986 (see **Update 11**, "Turner Goes to the Movies"), they are beginning to see some patterns emerging. At the heart of the issue are some 2,200 motion pictures in the library of the new Turner acquisition. While many of those will appear because of pre-existing contracts on one or another of the cable pay networks, Turner plans to feature them later on his Atlanta "superstation" WTBS as he moves toward more of a network operation serving thousands of cable systems across the country. Further, Turner's massive film holdings could play a major role in the ever-larger home video market. In the meantime, his attempt to take over the CBS television network—a competitor—while unsuccessful on the surface (see **Update 10**, "CBS Beats Ted Turner"), clearly has financially weakened that network which sharply increased its debt in the stock buy-back deal mounted to thwart Turner's attempt. Over the next 6 to 12 months, we should be hearing more about the programming plans of Turner's media empire as it becomes an ever larger competitor to both broadcast and cable networks. (From two stories in **CableAge**, August 19, 1985, pp. C3 and C14) □

CABLE—TV

A New Cable News Service

NBC is thinking of launching a 24-hour cable news network that would compete with Turner Broadcasting System's Cable News Network (CNN) and CNN Headline News. It cost $20 million to launch CNN six years ago. Cable executives estimated it would take perhaps $40 or $50 million to launch a competitive 24-hour cable news channel now. In discussions with cable operators about a possible news channel, NBC has said it would not proceed without a commitment for at least 16 million cable subscribers at its launch. The primary motivations for examining the idea are to see whether there is a new and profitable business, and to amortize the costs of the existing news organization, which generates a lot of material, much of which never appears in the limited air time allotted to NBC News. From **Broadcasting**, August 26, 1985, p. 33) □

RESEARCH & Technology

More on Lay-offs

GTE-Sprint, one of the major competing long distance carriers, announced plans to lay off 600 of its employees, mainly engineers, to allow an expansion in its marketing staff (see also the lead story in this issue of **Update**). GTE has lost money in each of the past several years, and said the lay-offs would save some $20 million a year. GTE-Sprint has nearly completed its huge construction program and will lease, rather than build, any further needed capacity. Several months ago, the company sponsored a research report suggesting the competing long distance telephone carriers in the U.S. would all be money losers in the next several years. □

The Changing Video Shop

A number of press reports in the past few weeks have noted a shakeout among stores selling and renting cassettes for home use. Two years ago, there were 7,000 such stores while today there may be nearly 30,000. That appears to be too many and some are closing while others are selling out to larger chains. While a year or two ago, it was still possible to open up such a shop with an investment of about $60,000, now it takes over three times that figure to adequately stock a store with the variety of videocassettes that consumers want—as well as having enough copies of popular current film hits. At the same time, there appears to be a glut of product—too many tapes seeking too few renters or buyers. Yet, video store owners note the continuing fast pace of videocassette machine sales.... (Some of this data is from **Business Week**, September 2, 1985, pp. 34-35) □

Representative Timothy Wirth

Tim Wirth has represented the Denver area of Colorado in the U.S. House of Representatives since 1974 as a liberal Democrat. In January 1981, he became chairman of the Subcommittee on Telecommunications, Consumer Protection, and Finance—and thus one of the most important congressmen affecting potential legislation in communications. He took over the subcommittee toward the end of a difficult and unsuccessful five year push by Congress to "rewrite" the basic statute governing telecommunications: the Communications Act of 1934. Wirth has since been the prime voice in the House expressing concern about the speed of the deregulatory trend in telecommunications—especially worried about telephone service as rates go up and diversity in broadcast programming. He has just introduced legislation calling for at least an hour a day of children's programming on U.S. television stations (see **Update 11**, " More Children's Programming?). While it appears Congress may spend less time on communications issues over the next year or so, any House action in this field would almost certainly originate in Tim Wirth's subcommittee. □

Spotlight

In Profile

William MacGowan

Bill MacGowan, the chairman and chief executive officer of MCI Communications, has had an uphill battle for more than 15 years. Perhaps more than any other person, MacGowan pushed the FCC and the courts into opening up the long distance telephone market to competition made possible by the technologies of microwave, satellite and now optical fiber cable. From a money-losing start in 1972 when MCI (the letters used to stand for Microwave Communications Inc.) first offered service to business users, MacGowan's company has become the biggest (more than 10,000 employees and almost $2 billion in business) and most successful competitor to giant AT&T Communications. MCI recently attracted a blue chip partner in the long distance field. Computer giant IBM joined its satellite carrier SBS with MCI to make an even stronger competitor in the battle for customers that will be waged in the next three to five years (see **Update 8** "IBM Hooks Up with MCI"). With that IBM interest, it appears MacGowan will continue to be the prime spokesperson for the virtues of a competitive domestic marketplace. And perhaps overseas as well, for MCI is now developing service to other countries, and already serves several. □

Scrambling To Scramble

Although a clear consensus has yet to emerge, cable programmers seem to agree on the need to scramble their signals, perhaps in some sort of package arrangement similar to that being planned by a Turner Broadcasting System-led consortium. The rush to scramble is being fueled by the presence of more than 700,000 satellite receive dishes, some in back yards and some atop hotels and apartment houses, that enable viewers to receive cable signals—pay and basic—free of charge. By scrambling signals and charging dish owners monthly fees for the decoders needed to unscramble the signals, most such piracy can be stopped. However in the case of basic services, which are advertiser supported, the problem is different; from an advertiser point of view, added viewership by dish owners is simply added exposure for commercial messages. But from a cable system operator's point of view, such piracy is damaging competition. Some programmers acknowledge that part of the drive to scramble basic services stems from a desire to gain new revenue and part stems from pressure by cable operators, who know that scrambling will make dish ownership less attractive—thus increasing likely subscribership to cable. Several cable networks are talking—but not in public—about possible "packages" of services that might be scrambled using one kind of decoder. This would make sale of the services to individual dish owners a more viable economic proposition, as each sale could cover several services, thus lowering the cost for each. Such a combined approach is at least a year away, as there are disagreements about which decoder to use, and the rates to charge. (From a story in **Electronic Media**, August 19, 1985, pp. 3, 26) □

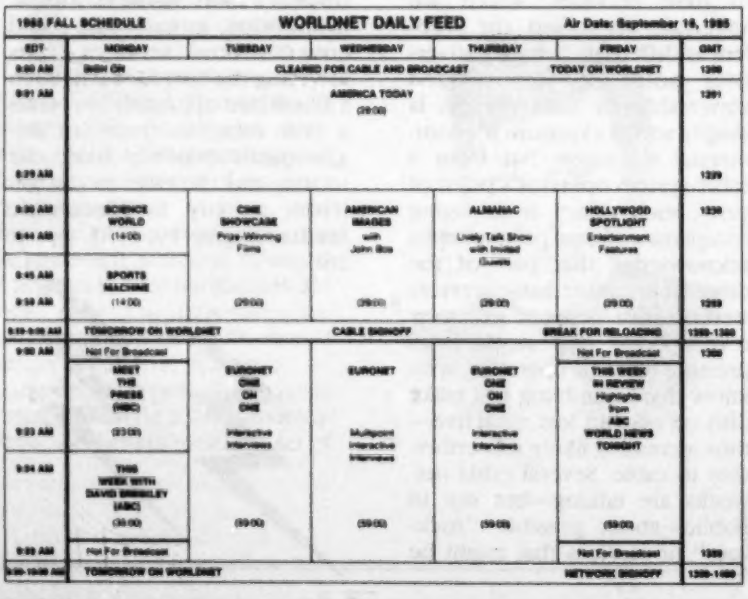
FEATURES

Booknotes

The Videocassette Recorder: An American Love Affair (Television Digest, Inc., 1836 Jefferson Place, N.W., Washington, D.C. 20036—$125, paper) provides a useful indicator of how the home VCR has been transforming the American electronic media scene. The 196 pages are largely a reprint of stories from the respected weekly **TV Digest** for the 18 months from mid-1983 through early 1985. Taken with the predecessor volume from the same publisher, the two provide a detailed review of the developing VCR market for hardware and programming, and some important regulatory decisions as well.

Issues in Domestic Telecommunications: Directions for National Policy (Washington, D.C.: Government Printing Office, 1985—$7.00, paper) is the latest administration statement on what should happen with the domestic common carrier industry (see **Update 9**, "New Policy Direction?"). Chapters provide an overview of the current industry structure and regulation, technology as an element of change, the AT&T divestiture and its impact, the FCC "Computer II" decision and how it impacts industry structure, the long-term viability of long distance competition, federal/state jurisdictional questions, depreciation and capital recovery, meeting rural needs, trade implications, and summary and conclusions. This is an important policy statement—and may help clear up some confusion over the American common carrier system.

(*These reviews are from* ***Communications Booknotes***, September 1985) □



1985 FALL SCHEDULE	WORLDNET DAILY FEED				Air Date: September 16, 1985	
EDT	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	GMT
9:00 AM	SIGN ON	CLEARED FOR CABLE AND BROADCAST			TODAY ON WORLDNET	1300
9:01 AM	AMERICA TODAY (29:00)					1301
9:29 AM						1329
9:30 AM	SCIENCE WORLD (14:00)	CNN SHOWCASE Prize-Winning Films	AMERICAN IMAGES with John Bos	ALMANAC Lively Talk Show with Invited Guests	HOLLYWOOD SPOTLIGHT Entertainment Features	1330
9:44 AM						
9:45 AM	SPORTS MACHINE (14:00)	(29:00)	(29:00)	(29:00)	(29:00)	1359
9:59 AM						
9:59-10:00 AM	TOMORROW ON WORLDNET	CABLE SIGNOFF			BREAK FOR RELOADING	1359-1360
9:00 AM	Not For Broadcast				Not For Broadcast	1300
	MEET THE PRESS (NBC)	EURONET ONE ON ONE	EURONET	EURONET ONE ON ONE	THIS WEEK IN REVIEW Highlights from ABC	
9:23 AM	(23:00)	Interactive Interviews	Multipoint Interactive Interviews	Interactive Interviews	WORLD NEWS TONIGHT	
9:24 AM	THIS WEEK WITH DAVID BRINKLEY (ABC) (36:00)	(59:00)	(59:00)	(59:00)	(59:00)	
9:59 AM	Not For Broadcast				Not For Broadcast	1359
9:59-10:00 AM	TOMORROW ON WORLDNET				NETWORK SIGNOFF	1359-1400

For Further Information....

Telecommunications Update depends upon the cooperation of our many sources. We are grateful for their help—and invite you to pursue more detail and background on stories in this issue by contacting them. For this issue, material has come from the following:

Arlen Communications Inc., P.O. Box 40871, Washington, D.C. 20016 USA (telephone 301-656-7940; telex 4996981)
for **International Videotex Teletext News**, a monthly

Broadcasting Publications, 1735 DeSales St. N.W., Washington, D.C. 20036, USA (telephone 202-638-1022)
for **Broadcasting** magazine, a weekly

CMP Publications, 600 Community Drive, Manhasset, N.Y. 10030, USA (telephone 516-365-4600)
for **CommunicationsWeek**, a weekly

Communications Booknotes, Department of Communication, George Washington University, Washington, D.C. 20052, USA (telephone 202-676-8243)
for **Communication Booknotes**, a monthly

Crain Communications, Inc., 740 North Rush St., Chicago, Ill. 60611, USA (telephone 312-649-5200)
for **Electronic Media**, a weekly

Federal Communications Commission, Office of Congressional and Public Affairs, 1919 M. St. NW, Washington, D.C. 20054, USA (telephone 202-632-7000 for general information)
for press releases and texts as cited

International Thompson Communications, Inc., 600 Grant St., Suite 600, Denver, Colo. 80203, USA (telephone 303-860-0111)
for **CableVision**, a weekly

Phillips Publishing, Inc., 7811 Montrose Rd., Potomac, Md. 20854 USA (telephone 301-340-2100)
for **Satellite News**, a weekly newsletter

Television/Radio Age, Rockefeller Center, 1270 Avenue of the Americas, New York, N.Y. 10020, USA (telephone 212-757-8400)
for **Television/Radio Age**, and **Cable Age**, bi-weeklies

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Stories included in **Update** *are not official statements of United States policy or positions. They are excerpts from the independent American trade press, intended to provide a cross-section of reporting about developments in and viewpoints on U.S. electronic media and telecommunications. Opinions expressed are not necessarily those of the U.S. Information Agency or any other U.S. government entity.*

Editor-in-Chief: *Jay Garfinkel;* **Editor:** *Dr. Christopher Sterling, Academic Director, Telecommunications Policy, The Graduate School of Arts and Sciences, The George Washington University, Washington, DC 20052;* **Design Director:** *Tuleda Poole Johnson;* **Illustrations:** *Ernest Albert Land*